Northmarq

MARKET INSIGHTS

Sales and deliveries outpace 2025 levels

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	34,264
UNITS DELIVERED	4,687

MARKET FUNDAMENTALS

VACANCY RATE	4.6%
YEAR-OVER-YEAR CHANGE	+10bps
ASKING RENTS	$2,496
YEAR-OVER-YEAR CHANGE	-0.1%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$333,400
ANNUAL CHANGE	+7.0%

SOUTHERN CALIFORNIA MULTIFAMILY

Q1 2026

HIGHLIGHTS

- Multifamily operating conditions across Southern California are nearly unchanged from one year ago, even as the pace of deliveries has accelerated. While the national trend calls for declining levels of new construction this year, most markets in Southern California are expected to post steady levels of deliveries in 2026.
- Vacancy has remained mostly steady across most of Southern California in recent periods. The region-wide average rose 10 basis points in the first quarter to 4.6%. Compared to the fourth quarter of 2025, the vacancy rate recorded no movement.
- Asking rents increased during the first quarter, rising by 0.4% to $2,496 per month. Year over year, average asking rents across the region have dipped just $2 per month.
- Multifamily investment activity was elevated in the first quarter, outpacing levels from the same point last year by 35%. The median sale price rose to $333,400 per unit year to date, while cap rates averaged roughly 5.5%.

SOUTHERN CALIFORNIA MULTIFAMILY MARKET OVERVIEW

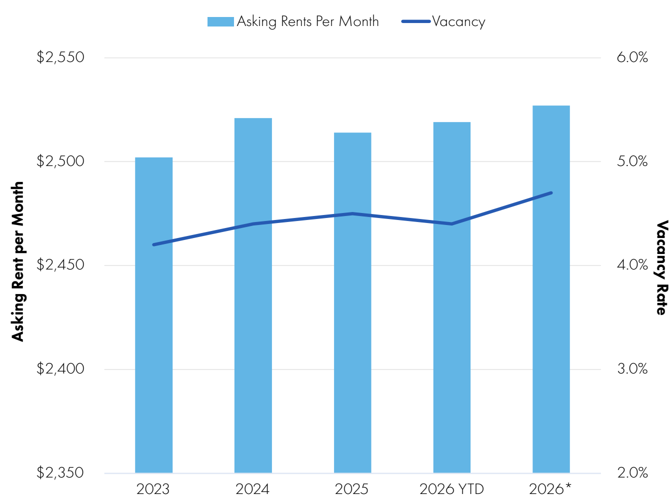
Multifamily operating conditions in Southern California posted little change in the past year, though individual markets had varied performance. First-quarter delivery totals are up 25% from the same period of last year, led by San Diego with roughly 2,000 units completed in this time. Los Angeles has the largest development pipeline, though San Diego has the highest ratio of units under construction to current inventory. In 2026, total inventory in San Diego is forecast to expand by 2.6%, while the overall region will average 1.5% growth. Los Angeles and Orange County led in vacancy performance, while the Inland Empire was the only market to post any kind of meaningful vacancy increase. Orange County was the leader in rent growth as the only market to record a year-over-year rise. While regional rents are closely tracking levels from one year ago, each individual market recorded a quarterly rent increase at the start of 2026.

Multifamily properties in Southern California transacted in greater numbers in the first quarter, outpacing levels from the same point in 2025 by 35%. The transaction mix was nearly identical to last year, with Class A properties accounting for roughly 20% of all sales, while Class B and Class C assets made up around 40% each. Year to date, the median sale price has risen 7% to $333,400 per unit. There was a significant rise in Class A and Class B pricing. The median per-unit price in Class A sales is up 15% compared to one year ago, while Class B prices are up 23%. The pricing patterns among older Class C assets were mixed, with declines recorded in San Diego but holding steady or inching higher in other markets in the region. While pricing in closed deals has shown resilience, cap rates are generally pushing higher. The average cap rate in Southern California in the first quarter reached approximately 5.5%, 20 basis points higher than in 2025.

SOUTHERN CALIFORNIA LOS ANGELES

In the past 12 months, 6,800 units were absorbed.

VACANCY & RENT TRENDS



Sources: Northmarq, Reis
* Year-end Forecast

CONSTRUCTION | VACANCY | RENTS

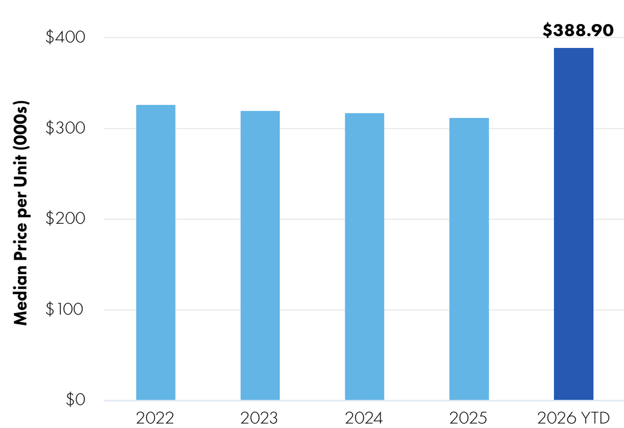
- Multifamily development in Los Angeles County picked up in the first quarter, as approximately 1,700 units were completed, up 15% from the first quarter of 2025. Projects totaling roughly 16,300 units are under construction, similar to one year ago.
- The vacancy rate across Greater Los Angeles ticked lower during the past three months, decreasing by 10 basis points to 4.4%. Year over year, the vacancy rate has gone unchanged. In the past 12 months, 6,800 units were absorbed in this market, after net absorption totaled fewer than 4,800 units in the prior 12-month period.
- Asking rents inched higher in the first quarter, rising by 0.2% to $2,519 per month. Compared to levels from one year ago, rents are down 0.1%.
- **FORECAST:** Deliveries in 2026 are forecast to rise 12% from last year to roughly 9,300 units. Vacancy is expected to trend higher, increasing by 20 basis points this year. Asking rents should gain some modest ground, ticking up 0.5% in 2026 to roughly $2,530 per month.

MULTIFAMILY SALES

- Multifamily investment sales in Los Angeles came at an increased pace in the first quarter. Compared to the beginning of last year, the total number of transactions that sold at the start of 2026 surged by 40%.
- The median sale price during the first quarter was $388,900 per unit, 25% higher than in 2025. The rise in pricing has been driven by an increase in the share of properties built since the year 2000 that are changing hands.
- Downtown Los Angeles contained the majority of transactions that have taken place to this point in the year while pricing in this area increased. Year to date, the median price in Downtown Los Angeles is $222,900 per unit, up 22% from last year. Transactions in Downtown Los Angeles generally ranged between $10 million and $15 million and included properties that were between 50-60 units.
- In the transactions that have taken place so far this year, the average cap rate is 5.8%, 20 basis points higher than the average in 2025. Cap rates went mostly unchanged from 2023 to 2024 before trending higher last year.

The median sale price was $388,900 per unit.

SALES TRENDS



Sources: Northmarq, CoStar

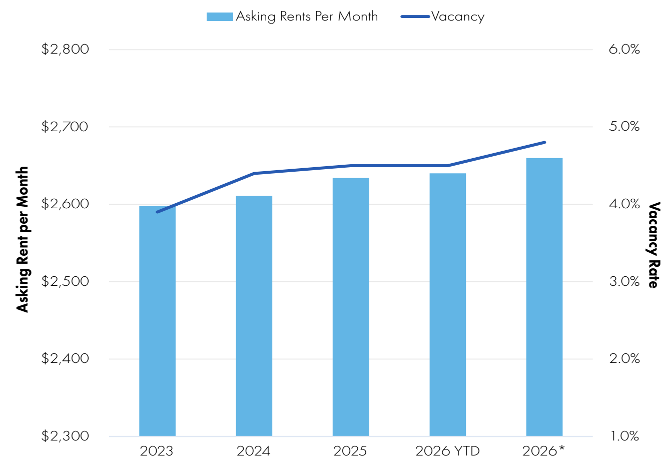
SOUTHERN CALIFORNIA ORANGE COUNTY

CONSTRUCTION | VACANCY | RENTS

- Developers in Orange County increased the pace of production in the first quarter, completing projects totaling nearly 900 units. In the first quarter of 2025, there were roughly 300 units delivered. Projects totaling more than 5,400 units are currently under construction, slightly lower than levels from one year ago.
- Orange County apartment vacancy has been stable in recent periods. The vacancy rate was unchanged from both the previous quarter and from one year ago, holding steady at 4.5%.
- Asking rents posted a minimal gain to start 2026, rising by 0.2% during the first quarter following a dip in the second half of 2025. Year over year, rents are up by 0.8% at $2,640 per month.
- **FORECAST:** Deliveries in Orange County are expected to rise to a cyclical high of approximately 4,400 units in 2026. Vacancy is forecast to tick higher by the end of the year, while asking rents are expected to rise by roughly 1% annually.

Projects totaling more than 5,400 units are under construction.

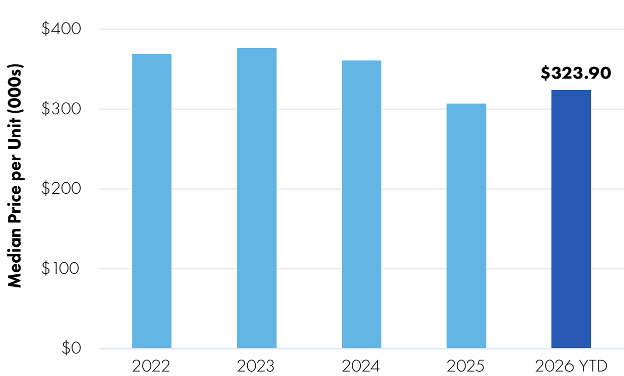
VACANCY & RENT TRENDS



Sources: Northmarq, Reis
* Year-end Forecast

The median sale price reached $323,900 per unit.

SALES TRENDS



Sources: Northmarq, CoStar

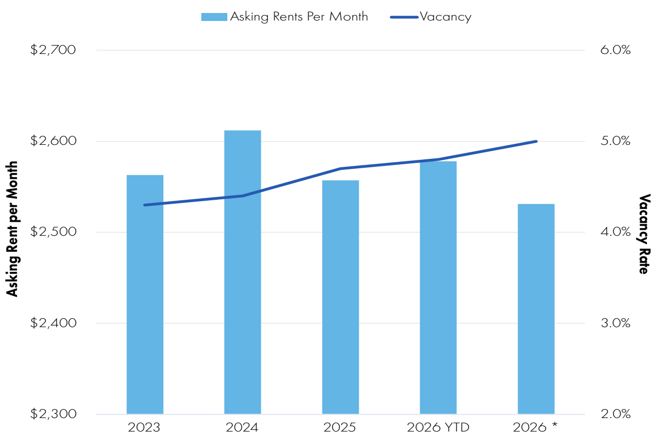
MULTIFAMILY SALES

- The number of multifamily property sales that closed during the first quarter accelerated from the modest levels recorded in the second half of last year. Despite the recent increases, transaction volumes in the first quarter still lagged historical averages.
- While only a handful of properties have sold, per-unit pricing has trended upwards in 2026. The median sale price reached $323,900 per unit during the first quarter, approximately 6% higher than the 2025 median price. Still, current pricing levels are down 16% compared to the 2021 peak.
- The majority of multifamily sales that have taken place to this point in the year have been Class C assets. The bulk of the first quarter multifamily transactions took place within Garden Grove and Anaheim.
- The 2026 average cap rate stands at 4.9%, consistent with recent years. Annual cap rate averages remained in a very tight range between 4.9% and 5.1% from 2023 through 2025.

SOUTHERN CALIFORNIA SAN DIEGO

Roughly 2,000 new units came online in the first quarter.

VACANCY & RENT TRENDS



Sources: Northmarq, Reis
* Year-end Forecast

CONSTRUCTION | VACANCY | RENTS

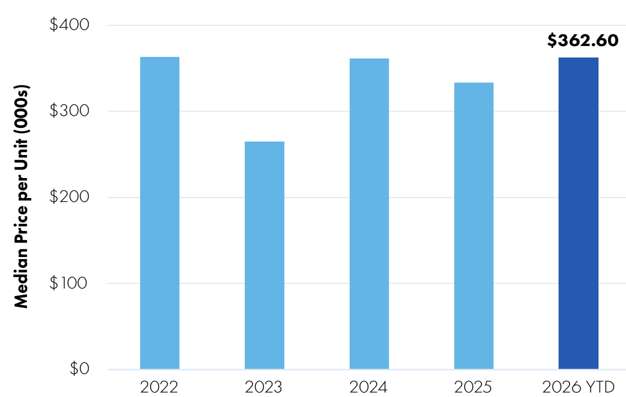
- Projects totaling roughly 2,000 units came online to start the year, up 45% from the same point in 2025. Even with deliveries elevated, approximately 9,000 units remain under construction.
- The vacancy rate inched higher during the first quarter, increasing by 10 basis points to 4.8%. Vacancy is also up 10 basis points when compared to one year ago.
- San Diego asking rents ticked higher during the opening three months of the year, rising 0.8% to $2,578 per month. Still, rents are down 0.7% year over year, as a competitive market has made it difficult for operators to achieve rent increases.
- **FORECAST:** While total deliveries in 2026 are expected to lag levels recorded last year, supply growth should remain above long-term averages. Projects totaling 5,900 units slated for completion for the full year. The vacancy rate is forecast to rise by 30 basis points to 5.0% while rents decline by around 1.0%.

MULTIFAMILY SALES

- Multifamily sales activity in San Diego remained on pace with recent periods. There were approximately the same number of transactions during the first quarter as there were during the same period in 2025.
- Sales prices have been elevated so far this year. In the properties that have traded year to date, the median sale price in San Diego is $362,600 per unit. This is a 9% increase from last year and is closely tracking the 2022 peak.
- The mix of properties that have changed hands this year has been heavily skewed towards Class B assets, with these properties making up half of all transactions. The median price in Class B sales is $505,600 per unit, up 30% from last year.
- The average cap rate in San Diego is 4.5%. The cap rate has gone effectively unchanged since 2023, remaining within a tight range during the trailing three years.

The median sale price is $362,600 per unit.

SALES TRENDS



Sources: Northmarq, CoStar

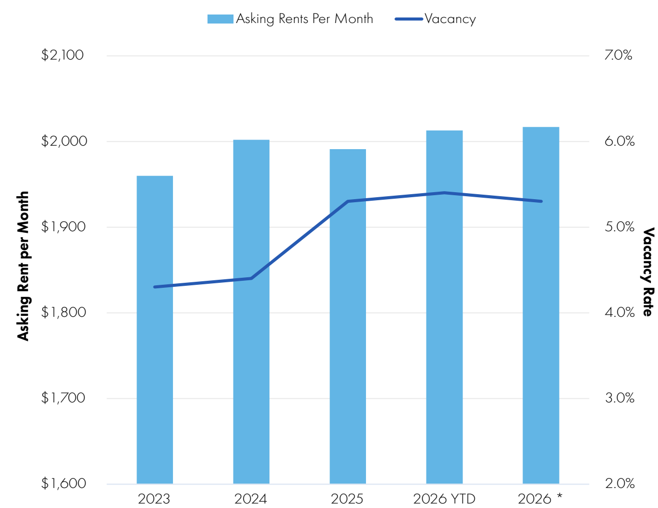
SOUTHERN CALIFORNIA INLAND EMPIRE

CONSTRUCTION | VACANCY | RENTS

- Multifamily construction in the Inland Empire was light in the first quarter as only about 100 units came online. That number will gain momentum in the coming quarters; there are approximately 3,500 units still under construction across the Inland Empire, with Southwest Riverside County/Temecula leading the way.
- The vacancy rate ticked higher, increasing by 10 basis points in the first quarter to 5.4%. During the past 12 months, vacancy increased by a total of 80 basis points.
- Following two consecutive quarters of rent decreases, there was a 1.1% increase in asking rents to $2,013 per month during the first quarter. Rents are still down 0.2% year over year.
- **FORECAST:** Projects totaling roughly 2,900 units are on pace for completion in 2026, down 27% from last year. The vacancy rate is expected to improve slightly, ending the year at 5.3%, while asking rents in the Inland Empire are forecast to rise by 1.3% to around $2,020 per month.

There was a 1.1% quarterly increase in asking rents.

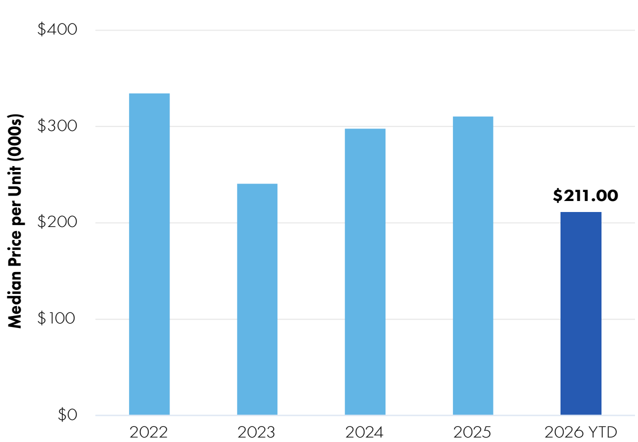
VACANCY & RENT TRENDS



Sources: Northmarq, Reis
* Year-end Forecast

The median sale price is $211,000 per unit.

SALES TRENDS



Sources: Northmarq, CoStar

MULTIFAMILY SALES

- This year marked the most active first quarter sales totals since 2023. The majority of transactions occurred in San Bernardino County.
- Despite the rise in activity, overall pricing decreased. Year to date, the median sale price is $211,000 per unit, down 32% from last year. This drop in pricing was primarily due to the shift in the transaction mix.
- Last year, Class A properties made up nearly 60% of all sales. To this point in 2026, that figure has fallen to just one-third of the transaction mix. The Class A properties that changed hands last year sold at a median price of $357,700 per unit.
- Multifamily properties in the Inland Empire have been trading with cap rates in the high-4% to the low-5% range for Class A assets. Combined cap rates for Class B and Class C sales have averaged closer to 6.0%.

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